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SIPDIS

SENSITIVE

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TAGS: ECON ELAB NI
SUBJECT: BETWEEN THE HAMMER AND THE ANVIL: THE PROPOSED WAGE HIKES

¶1. (SBU) The likely wage increases looming over the Nigerial fiscal landscape will affect the already difficult situation of both the federal and state governments. The federal government has (apparently) committed itself to a 12.5 percent increase in workers' salaries, at least at the lowest levels of the pay scale. The federal government is being deliberately vague about its understanding of the agreement (if that is what it is), possibly because it can't really afford to pay what it is already paying. The federal government is going increasingly into debt just to meet its current obligations, but most of the 36 states are in much worse shape, and view a federal wage hike with unadulterated dread. Their workers will want the same deal, but many of the states are already in the process of fiscal collapse. Some are bankrupt or as good as, and often pay their workers intermittently. State workers in Anambra state recently went six months without pay, while Osun and Lagos states fell three months behind; Kogi, Kwara, and several other states are a year in arrears.

¶2. (SBU) The states are really between the hammer and the anvil. With the exception of the oil producing states and Lagos, they have little control over their incomes. They live month-to-month on allotments from the federal government and spend almost their entire budgets on salaries. Since most states have few non-salary expenses to cut to stay within budget, the prospect of matching a federal wage hike is a real threat. The 36 governors, meeting recently to consider the situation, issued a statement saying they were unable to match the federal government's pay raise. Last week, however, two northern states (Nasarawa and Zamfara) broke ranks in a fit of bravado (or one-upsmanship they can't afford, as they are among the poorest) to announce they will pay the increase. Some of the oil-producing Delta states are reported to be able to pay but the hapless majority echo the federal government in warning that the pay increase must inevitably result in layoffs.

¶3. (SBU) The unions, of course, have seen this coming, and are warning against reductions. It's not that the state and federal governments don't have the money to pay wage increases, they say, it's that they waste the money through mismanagement and corruption, and their incompetence and corruption aren't the union's problem. The unions have a point; without endemic corruption and mismanagement the governments could pay the increase and perhaps much more.

¶4. (SBU) COMMENT: Part of the governments' mismanagement, however, is that they have too many workers, an inconvenient fact the unions ignore. Furthermore, the unions want wage increases now. It isn't at all clear when the federal and state governments will actually get rid of mismanagement and corruption, but it is overwhelmingly obvious that it isn't going to be "now." Or even soon. So the stage is set for a confrontation; a similar showdown in 2000 resulted in nationwide strikes and concessions by the governments. Ultimately, the state and federal governments will agree to spend more than they can, governments will borrow more and pay back less, and their workers will be paid less often. Services will suffer, and civil servants will continue to moonlight and resort to corruption to survive. Thus the can gets kicked down the road, and nothing substantial changes.
HINSON-JONES